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MINORITY-OWNED THRIFTS — PAGES 6 AND 16

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TODAY

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Quote

If the past is prologue, he'll be an activist chairman. It'll be an interesting year. We'll all work harder.

Donald Rogers, president of the Association of Bank Holding Companies, commenting on the return of Sen. William Proxmire, D-Wis., to the chairmanship of the Senate Banking Committee. [Page 1]

Unquote

Banks Face New Lineup in Democratic Senate

Proxmire Could Push for Nonbank-Bank Ban, Consumer Protection Measures

By BARTLETT NAYLOR
Washington Bureau

WASHINGTON — Democratic control of the Senate has sweeping implications for the banking industry. It enhances chances for passage of banking legislation, with an emphasis on reregulation and consumer protection measures, congressional members and lobbyists said on Wednesday.

After six years of Republican dominance, Democrats regained control of the Senate in Tuesday's election, winning eight new seats to give them 55 seats to the Republicans' 45.

On the Senate Banking Committee, Sen. William Proxmire, D-Wis., an activist on banking matters, will replace Sen. Jake Garn, R-Utah, an advocate of deregulation, as chairman. Sen. Proxmire presided over the panel in the late 1970s, when his party last controlled the Senate.

In an interview Wednesday, Mr. Proxmire said he was "excited" at the prospect of chairing the panel again.

"We have to move legislation to improve the safety and soundness of the industry," said the lawmaker.

Generally, here are some of the implications for the financial industry:

• With both chambers of Congress controlled by the Democrats, there's a better chance for cooperation that will lead to legislation, especially consumer-protection measures.

We've got a lot of leftover business from the last Congress that we have to deal with.

— Sen. William Proxmire

• Under Mr. Proxmire, the Senate Banking Committee will increase committee investigations. He's also an outspoken critic of limited-service or nonbank banks, increasing

Senate: Page 14 ➡

Security Pacific's 'Options Exchange' Hits Another Regulatory Roadblock

By JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Security Pacific National Bank has again delayed the start of an interest rate options trading system due to regulatory hurdles, this time primarily from the Federal Reserve Board.

Options

The Fed has not considered the bank's plan, nor has the Los Angeles bank's parent company applied to the agency for permission to start the service.

Security Pacific contends that its proposed brokerage and clearing agency activities had been considered permissible activities by the Fed in the past and that under 1984 regulations the holding company doesn't need to seek new approvals. But according to information sent to Congress by the Fed, the agency's staff now is mulling whether the combination of these activities should be reviewed by the board.

Stephen Lynner, a Security Pacific official in New York who conceived the idea for the trading system, said in an interview that the uncertainty about the Fed's intentions has "thrown a monkey wrench" into plans to start the trading system.

Security Pacific did get one bit of good news from the regulators in the last week. Peter Liebesman, assistant director of legal advisory services with

Security Pacific: Page 8 ➡

Voters in Texas Clear the Way For Branch Banks

By DAVID LaGESSE
Southwest Bureau

DALLAS — Texas voters on Tuesday overwhelmingly approved branch banking for the Lone Star State, clearing one obstacle to long-awaited takeover deals with out-of-state banks.

The limited branching proposal, which required voter approval because it amended the state's 1904 constitution, passed by nearly a 3-to-1 margin and becomes effective on Jan. 1. Banks can open as many as three new branches in each county, and bank holding companies can consolidate their subsidiary banks into branches — as long as they retain one charter in

Texas: Page 12 ➡

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Three Officials Plead Guilty In Bevill Fraud

By ANDREW ALBERT

NEWARK, N.J. — Three former officials of the defunct brokerage firm of Bevill, Bresler & Schulman Inc. pleaded guilty on Wednesday to planning and carrying out a securities fraud scheme that ultimately cost the firm's customers more than $100 million.

A fourth former official of the company, president Gilbert C. Schulman, 38, pleaded innocent to the same federal charges, and his trial begins on Jan. 13.

The elaborate fraud scheme, considered one of the biggest in U.S. history, came to a crashing halt in April 1985, when authorities forced an affiliate of the Livingston, N.J., securities group into bankruptcy law proceedings. Ever since, commercial banks, thrift institutions, and other customers of the failed broker have been waiting and hoping to recover at least part of their losses. At least one bank, Worthen Bank & Trust Co. NA, Little Rock, Ark., barely survived the $52 million loss it suffered from its dealings with Bevill Bresler.

The guilty pleas are not expected to have any effect on the bankruptcy proceedings, in which creditor claims against the Bevill Bresler group total $262 million. Saul S. Cohen, a bankruptcy law trustee handling the case, said he and his staff have assembled a $103 million pool that could eventually be divided up among creditors, if they can resolve disagreements associated with competing claims. "We're still searching for assets," he said.

The three former officials who pleaded guilty were company chairman Robert L. Bevill, 43; treasurer John D. Rooney, 40, and Stuart A. Gottlieb, 38. They admitted to participating in a scheme, which began in 1982, to defraud customers of an affiliated firm called Bevill, Bresler & Schulman Asset Management Corp. It was the asset management unit, a deal-

Bevill: Page 9 ➡

Corrections

An article in the Nov. 4 edition of the *American Banker* ("CoreStates' Mac Heads Automated Teller Pack in Ranking Based on Interchange Transactions," page 2) included incorrect statements about information published by *Bank Network News*, a Chicago-based newsletter. The statements were attributed to an executive of Speer & Associates, Atlanta, a consulting firm that published a ranking of automated teller machine networks according to interchange volume.

John Love, publisher of *Bank Network News*, said his organization provides comprehensive information on automated teller machine networks in its *EFT Data Book*, the latest edition of which is due out this week. Its rankings include the top 100 networks based on total transactions and transactions that go through central computer switches, the percentage of transactions that are interchange (or interbank) items, and the top 15 proprietary (single-institution) ATM networks.

The information in *EFT Data Book* is more complete than readers of the *American Banker* article were led to believe.

□

The Treasury Department will adopt a Notification of Change process for government direct deposits in December 1987, not next month. The date was erroneously reported in the Oct. 29 issue ("Technology Topics," page 6). ■

Prudential-Bache's Singular London Strategy Begins to Pay Off in Merchant Banking Area

A Briton Leads US Investment House's Effort to Compete with Older Players

By PETER FIELD

LONDON — Prudential-Bache Securities Inc.'s novel approach in the London market has scored its first big success — approval by the board of the British printing group McCorquodale of a management buyout bid worth about $220.8 million that is being led by Prudential-Bache.

INTERNATIONAL BRIEFING

If the deal goes through, it will be the largest management buyout of a public company ever seen in the United Kingdom. And it follows the recruitment two months ago of senior merchant banker John MacArthur to run Prudential-Bache's merchant banking operations in London.

Prudential-Bache had taken a different tack than its American and European competitors when, in July 1984, instead of buying a London stockbroker, it started to build an entirely new broking firm with three key initial recruits at partner-level from another firm.

Now, Prudential-Bache has set itself even further apart from its U.S. counterparts by hiring the 52-year-old Mr. MacArthur from Kleinwort, Benson Ltd. in July to build a sterling-based merchant bank. A name still has to be found for this operation to avoid confusion with the unrelated Prudential Assurance Co. in the U.K.

Mr. MacArthur is chairman of the merchant banking group, which includes the stockbroking business, a gilt market-maker, a stock exchange money broking operation, Clive Discount Holdings, and the nascent corporate finance activities. The investment banking activities of Prudential-Bache in London — mainly Eurosecurities — continue to be run by William Hulton, another Briton recruited from E.F. Hutton & Co. a couple of years ago.

Mr. MacArthur is probably the most senior British merchant banker to be recruited by a U.S. investment bank. He had been at Kleinwort for 26 years and was deputy head of corporate finance until January when he was made chairman of the business development committee. An influential U.K. mergers and privatization expert, he hopes to apply that experience to the Prudential-Bache job, as the McCorquodale deal suggests.

"The essence," he said, "is to provide a merchant banking service to the U.K. marketplace which will mirror to the maximum extent possible that which the principal domestic institutions provide." In other words, the intention is to go head-to-head with Kleinwort, S.G. Warburg & Co., and Morgan Grenfell & Co.

Most U.S. investment banks came to the U.K. in the first place because of the Euromarkets. More recently, they've become more active as part of the run-up to the Big Bang deregulation of the London markets on Oct. 27. But they haven't had much success, according to Mr. MacArthur, in "breaking into that part of the U.K. corporate sector which is not transactions-related and based on the difference between five and 10 basis points." He believes that most of the U.K. corporate sector will for the foreseeable future still place a lot of emphasis on relationships.

Won't that therefore make it difficult for a newcomer like Prudential-Bache to pry clients away from their traditional banks? "If you've got good ideas, you will get a hearing," said Mr. MacArthur.

Goldman, Sachs & Co. is about the only U.S. investment bank that has made any inroads into U.K. corporate finance. How far it has penetrated is hotly disputed by many British bankers. One ranking showed Goldman fourth in advising British companies on mergers and acquisitions in the first half of the year.

Yet, said Mr. MacArthur, "The reality is they have not led one public takeover deal in the U.K. They have been number two or three in the limited number of transactions in which they have been involved."

Mr. MacArthur thinks the Prudential-Bache approach of recognizing differences between local markets gives the firm an advantage. "There won't be homogenized markets for financial services in Europe in the next few years," he said, "because homogenization assumes industry in Europe is going to be investment banker-driven to the extent it is in the U.S."

> **'The essence is to** provide a merchant banking service to the U.K. marketplace which will mirror to the maximum extent possible that which the principal domestic institutions provide.'
>
> **— John MacArthur**
> **Prudential-Bache Securities**

Most managements in the U.K. and continental Europe cannot understand the almost obsessive interest their American colleagues display in very marginal differences in the cost of capital, which is largely investment banker-driven.

"Spending 20 days a year listening to investment bankers telling you how you can save one-thirty-second of a percent is a very bad deal in terms of opportunity costs," Mr. MacArthur said.

Mr. MacArthur's main task at the moment is recruitment, and he said there was a very strong possibility of hiring more senior merchant bankers. The group at present numbers about 200. Only eight are in corporate finance and Mr. MacArthur wants to get that up to 30 as soon as possible.

Mr. MacArthur's other main concerns at present are integrating the stockbroking operation, P-B Securities, Down, de Boer & Duckett, into the larger merchant banking group, and reviving the fortunes of Clive Discount, which lost 810,000 pounds (about $1.15 million at Tuesday's exchange rate) in calendar 1985. The main reason for buying this seems to have been the discount house's expertise at the short end of the gilt market, which Prudential-Bache found useful in building its gilt market-making operation.

One of the founders of the stockbroking firm, Duncan Duckett, resigned in July, two weeks before the recruitment of Mr. MacArthur was announced. Like the other two founders, Ashley Down and Christopher de Boer, Mr. Duckett had joined from James Capel & Co.

There was no connection between the two events, said Mr. MacArthur. But at the time of Mr. Duckett's departure, Prudential-Bache did announce it was taking its stake of 20% in the broker up to 100%. That inevitably meant tighter central control of the broking operation and, according to Mr. MacArthur, "Duncan probably felt uncomfortable with the size and growth of the operation from its small and informal beginnings."

The Prudential-Bache merchant banking group has about $99 million in capital. The stockbroking business is already well developed with 20 analysts researching the U.K. The level of capital is clearly quite small at present, but with the formidable resources of Prudential-Bache and the Prudential Insurance Company of America itself behind the merchant bank, "I don't think additional capital is a problem subject to justification," Mr. MacArthur said.

To some in the City of London, it seems odd that the Euromarket activities should be run under a separate chief. Mr. MacArthur acknowledged an enormous overlap between his operations and Mr. Hulton's. But he said, "The immediacy and size of Euromarket operations are such that, if you're not very careful, the embryonic merchant banking activities of a house like this could easily get sucked into and swallowed up by the requirements of Euromarket transactions."

Mr. MacArthur obviously had higher aspirations at Kleinwort Benson, but decided these were not likely to be satisfied after he took over as chairman of the business development commiteee in January. This gave him a key strategic planning role, but he would have preferred to head corporate finance.

His move to Prudential-Bache came about as a result of his working on the sale of Clive Discount to the company. Mr. MacArthur had brought Clive to the market years ago and had sat on its board.

"In finding a good home for Clive, I got to know the Prudential-Bache and Prudential people well and found a good home for myself," he said, adding that it wasn't intentional. "I didn't put myself about with the headhunters and Prudential didn't headhunt me."

Prudential-Bache must now be hoping that Mr. MacArthur can bring in clients of the caliber he handled at Kleinwort, where he worked on the privatization of Enterprise Oil and the water industry (the latter now aborted). He also battled three times on behalf of clients against newspaper publisher Robert Maxwell and staunchly defended the al-Fayed brothers against Lonrho PLC in its campaign to find out more about how the al-Fayeds financed their purchase of House of Fraser, owner of Harrods department store.

Mr. MacArthur said he saw no reason why Prudential-Bache should not be doing similar deals. The McCorquodale buyout, even if it doesn't come off, is a start, and shows how his contacts can be combined with the financial muscle of Prudential Insurance, which is providing nearly 50% of the financing of the deal. Mr. MacArthur had been financial adviser to McCorquodale for about 12 years while he was at Kleinwort. The management buyout is designed to defeat a hostile bid valued at about $205.2 million from another British printing group, Norton Opax.

According to one insider, Prudential-Bache is likely to be doing more leveraged buyouts and management buyouts.

"John has a well-thought-out philosophy on adapting U.S. ideas to the U.K. market," the insider said. "You can't just take them off the shelf and apply them to the U.K."

Mr. MacArthur said: "We will be offering a full range of corporate finance advisory services based on our skills and experience of the U.K. corporate sector." ■

A Sample Listing of Minority-Owned Thrifts *

Listed Geographically by State; Data as of Dec. 31, 1985

Compiled by American Banker Copyright 1986

	Deposits		Assets		Net Income		Net Worth		N.W./Assets
	12/31/85	12/31/84	12/31/85	12/31/84	1985	1984	12/31/85	12/31/84	12/31/85
ALABAMA									
Citizens Federal Savings Bank, Birmingham (S,b)	N.A.	43,782,162	57,967,099	51,088,293	N.A.	598,050	5,456,214	1,200,000	9.41
Tuskegee Federal Savings & Loan Association (M,b)	20,496,000	N.A.	22,031,000	17,694,000	110,000	1,404,000	N.A.	1,355,000	N.A.
CALIFORNIA									
Broadway Federal Savings & Loan Assn., Los Angeles (M)	76,373,000	72,221,079	80,985,000	76,371,812	337,000	(429,591)	2,580,000	1,290,141	3.19
Family Savings & Loan Association, Los Angeles (S)	109,319,000	N.A.	139,984,000	148,276,000	455,000	(1,503,000)	2,690,000	2,685,000	1.92
First Public Savings Bank, Los Angeles (S,a)	93,091,922	68,943,628	101,883,004	75,829,033	1,756,666	1,212,338	7,522,961	5,936,295	7.38
Founders Savings & Loan Association, Los Angeles (S,b)	174,123,000	N.A.	189,702,000	156,908,000	716,000	(672,000)	3,040,000	1,599,000	1.60
Standard Savings Bank, Los Angeles (S,a)	86,237,726	62,621,366	95,984,480	72,782,294	2,010,521	1,096,418	6,622,243	4,661,721	6.90
Trust Savings Bank, Monterey Park (S,d,f)	102,132,658	76,283,000	107,584,735	79,321,000	800,625	(81,786)	5,228,000	2,408,620	3.57
City Federal Savings & Loan Association, Oakland (M)	31,824,000	N.A.	30,734,000	32,510,000	(772,000)	(3,169,000)	(5,421,000)	(3,520,000)	N.A.
Hacienda Federal Savings & Loan Associaition, Oxnard (S)	15,529,000	16,823,386	34,475,000	37,039,036	(12,000)	(1,910,103)	(11,002,000)	(10,576,691)	N.A.
Presidio Savings & Loan Association, Porterville (S,c,h)	198,015,000	N.A.	201,433,000	220,309,000	(85,549,000)	4,485,000	(24,053,000)	8,089,000	N.A.
Camino Real Savings Bank, San Fernando (S,c,i)	172,436,000	N.A.	244,088,000	166,509,000	(4,821,000)	(4,631,000)	10,983,000	(734,000)	4.50
Golden Coin Savings & Loan Assn., San Francisco (S,a)	131,039,924	109,000,000	143,595,738	119,000,000	1,189,610	80,000	4,956,135	3,937,000	3.37
Sincere Federal Savings, San Francisco (S,a)	73,990,830	81,048,784	79,360,574	88,150,989	598,492	901,871	3,975,360	2,908,140	5.00
Time Savings & Loan Association, San Francisco (S,d)	51,835,363	56,979,596	60,809,756	64,807,244	637,806	(299,226)	3,135,034	2,410,880	4.25
East-West Federal Bank FSB, San Marino (S,a)	236,973,794	203,432,000	267,369,715	234,655,000	1,500,723	3,000	8,568,385	841,831	3.20
COLORADO									
Equity Federal Savings Bank, Denver (S)	3,394,000	3,608,000	3,583,000	4,223,000	(195,000)	56,000	71,000	164,000	1.98
CONNECTICUT									
Community Federal Savings & Loan Assn., Bridgeport (M)	42,551,000	N.A.	48,637,000	43,102,000	283,000	656,000	1,507,000	1,059,000	3.10
Connecticut Savings & Loan Association, Hartford (M,b)	9,552,000	N.A.	13,592,000	9,932,000	123,000	31,000	502,000	379,000	3.70
DISTRICT OF COLUMBIA									
Independence Federal Savings Bank (M,b)	107,724,000	90,495,000	157,905,000	117,311,000	1,196,000	N.A.	5,178,000	N.A.	4.41
FLORIDA									
General Federal Savings Association, Coral Gables (S,c)	194,405,024	170,381,502	229,883,049	189,231,347	1,742,728	801,944	6,847,858	5,164,537	2.98
Tropical Federal Savings & Loan Association, Hialeah (S,c,g)	63,788,651	N.A.	66,363,844	55,675,000	(1,366,755)	(150,000)	631,037	776,000	1.00
Interamerican Federal Savings & Loan Assn., Miami (S,c)	78,071,000	N.A.	85,624,000	61,320,000	598,000	206,000	3,297,000	2,409,000	3.85
Miami Savings Bank (S,c)	171,057,674	139,349,291	175,560,692	148,120,136	(4,915,784)	511,901	2,034,750	7,184,286	1.20
Washington Shores Savings Bank FSB, Orlando (M,b)	6,073,812	6,582,000	9,404,337	9,267,000	(94,000)	(17,000)	174,183	224,000	1.85
GEORGIA									
Mutual Federal Savings & Loan Association, Atlanta (M,b)	30,584,000	29,521,715	32,161,000	32,748,048	91,786	153,988	1,358,000	1,303,587	4.00
HAWAII									
New People's Savings & Loan Association, Honolulu (S)	9,276,000	N.A.	13,661,000	15,032,000	(119,000)	(1,362,000)	4,215,000	(597,000)	3.09
KANSAS									
Coronado Federal Savings & Loan Assn., Kansas City (M,j)	13,500,000	13,708,000	12,908,000	14,151,000	N.A.	N.A.	(1,030,000)	N.A.	N.A.
LOUISIANA									
First Federal S&L Assn. of Scotlandville, Baton Rouge (M,b)	47,847,000	47,232,000	47,916,000	48,681,000	(542,000)	(51,000)	(459,000)	909,000	4.51
Bayou Federal Savings & Loan Assn., New Orleans (M,b)	25,968,253	N.A.	27,306,593	20,675,000	(1,015,184)	(3,000)	(1,523,999)	1,000	N.A.
United Federal Savings & Loan Assn., New Orleans (M,b)	44,444,931	N.A.	50,213,731	42,253,000	529,667	1,722,000	2,352,000	1,581,000	4.68
MARYLAND									
Advance Federal Savings & Loan Assn., Baltimore (M,b)	26,894,376	27,149,694	30,725,051	30,836,015	226,178	105,625	2,890,809	2,664,631	9.40
Ideal Savings & Loan Association, Inc., Baltimore (M,b)	6,398,749	6,116,563	6,795,054	6,601,212	36,259	36,409	304,958	369,235	5.00
MICHIGAN									
Home Federal Savings Bank, Detroit (M)	20,707,000	N.A.	22,562,000	21,954,000	83,000	45,000	1,434,000	1,367,000	6.36
MISSISSIPPI									
State Mutual Federal Savings & Loan Assn., Jackson (M,b)	12,454,149	13,350,768	15,905,908	15,451,045	69,448	3,176	205,532	139,333	1.29
MISSOURI									
New Age Federal Savings & Loan Assn., St. Louis (M,b)	11,615,981	10,679,127	12,110,400	11,317,886	(66,336)	3,009	350,405	416,741	2.89
NEW MEXICO									
Otero Savings & Loan Association FA, Alamogordo (S,c)	15,445,349	14,769,000	18,007,086	16,733,000	169,165	97,000	1,056,261	928,000	5.87
Dona Ana Savings & Loan, Inc., Las Cruces (S,c)	56,702,000	N.A.	59,531,000	51,389,000	498,000	91,000	2,188,000	1,534,000	3.68
Sun Country Savings Bank of N.M. FSB, Las Cruces (S,c)	78,912,000	N.A.	86,648,000	79,533,000	N.A.	(2,135,000)	3,079,000	1,002,000	3.55
De Vargas Savings & Loan Bank, Santa Fe (S,c)	17,761,000	N.A.	21,800,000	23,773,000	(171,000)	(655,000)	(695,000)	(36,000)	N.A.
Silver Savings & Loan Association FA, Silver City (S,c)	23,367,000	17,688,000	24,983,000	19,313,000	277,000	80,000	1,145,000	1,093,000	4.58
NEW YORK									
Metro Merchants Federal Credit Union, Bronx (c)	2,080,984	1,621,349	2,188,278	2,049,152	N.A.	(43,826)	N.A.	1,698,812	N.A.
Ponce de Leon Federal Savings Bank, Bronx (M,c)	43,233,191	35,828,308	57,068,068	46,338,615	1,367,590	500,377	2,819,957	1,452,879	4.94
Carver Federal Savings & Loan Association, New York (M,b)	115,185,289	105,226,537	131,982,962	122,328,919	1,342,492	1,940,073	9,734,603	8,356,653	7.38
NORTH CAROLINA									
Mutual Savings & Loan Association, Durham (M,b)	18,102,223	17,996,147	21,005,893	20,642,854	254,074	173,586	2,438,846	2,185,756	11.61
American Federal Savings & Loan Assn., Greensboro (M,d)	17,540,000	15,177, 387	22,140, 253	18,037,837	757,939	N.A.	N.A.	N.A.	3.42
PENNSYLVANIA									
Berean Savings Association, Philadelphia (M,b)	24,059,000	N.A.	28,050,000	25,005,426	108,000	N.A.	1,855,000	N.A.	6.61
Dwelling House Savings & Loan Assn., Pittsburgh (M,b)	8,685,471	7,835,497	10,007,481	9,010,430	133,011	129,812	1,153,517	1,020,506	11.53
PUERTO RICO									
First Federal Savings Bank, Santurce (M,c)	854,635,000	772,328,715	1,324,529,000	1,191,047,937	2,248,000	N.A.	90,183,100	N.A.	6.81
TEXAS									
Padre Federal Savings & Loan Assn., Corpus Christi (S,c)	22,231,000	15,560,111	25,538,000	18,402,936	156,000	245,746	821,000	835,073	3.21
Mission Savings Association, El Paso (S,g)	22,046,000	N.A.	31,954,000	N.A.	383,397	N.A.	4,529,000	N.A.	14.17
Standard Savings Association, Houston (S,b)	18,533,000	17,842,608	19,500,000	20,004,072	14,000	N.A.	861,000	N.A.	4.42
Tesoro Savings & Loan Association, Laredo (S,c)	258,683,978	218,591,792	296,503,650	234,407,610	671,046	1,246,576	7,610,613	6,348,900	2.66
VIRGINIA									
People's Savings & Loan Association, Hampton (M,b)	16,324,889	N.A.	17,752,667	17,336,000	5,149	(15,000)	904,847	957,000	5.10
Imperial Savings & Loan Association, Martinsville (M,b)	5,850,940	5,835,000	6,348,452	6,192,000	67,448	N.A.	300,954	232,000	4.74
Community Federal S&L Assn., Newport News (M,b)	10,309,000	N.A.	9,920,000	11,165,000	13,000	(256,000)	(1,062,000)	(421,000)	(10.71)
Berkley Citizens Federal Savings Bank, Norfolk (S)	21,992,000	N.A.	23,597,000	13,604,000	N.A.	(259,000)	1,298,000	(670,000)	5.50
WASHINGTON									
Sound Savings & Loan Association, Seattle (S,e)	21,590,630	19,360,345	28,899,259	27,101,419	157,948	155,236	1,675,883	1,585,808	5.80
United Savings & Loan Bank, Seattle (S,a)	66,352,000	58,167,506	70,568,000	63,282,206	905,000	725,675	4,216,000	3,447,323	5.97
WISCONSIN									
Columbia Savings & Loan Association, Milwaukee (M,b)	8,306,810	7,108,959	9,409,474	8,136,122	97,674	23,056	766,785	669,111	8.14

* — Data from American Banker surveys of minority-owned thrift institutions and other sources. **M** — Mutual institution; **S** — Stock institution; **(a)** — Asian-American owned; **(b)** — Black owned; **(c)** — Hispanic-American owned; **(d)** — Multiracial-owned; **(e)** — Women owned; **(f)** — Formerly Monterey Park Savings Bank; **(g)** — Fiscal year-end Sept. 30, 1985; **(h)** — Closed by Federal Home Loan Bank Board 8/8/86. Deposits transferred to Gibraltar Savings, Beverly Hills; **(i)** — Acquired by non-minority thrift August 1986; **(j)** — Declared insolvent and placed in conservatorship by Federal Home Loan Bank Board 2/7/86; **N.A.** — Not available.

Minority . . .

Continued from Back Page

some necessity to go beyond the immediate community to attract funds.

"In the past, we have gone outside the community," she said. "It's the way we have been operating. However, now it's more difficult," with all the institutions vying for the same customers in a deregulated environment. Ms. Chu pointed out that the "cream" of the Trust Savings Bank borrowers have been targeted by mainstream institutions — including nonbank financial service providers — making the task all the more difficult.

While officers of some minority institutions have called for several such companies to band together for consortium lending, Ms. Chu doesn't see much need for it in the California markets.

According to *Black Enterprise* magazine's June issue, assets of black-owned thrift institutions grew 21.3% in 1985, to $1.5 billion. Deposits were up 23.1%, to $1.2 billion. *Black Enterprise* serves the black business community.

The magazine says that "more stringent rules at majority-owned institutions regarding checking accounts, as well as delays in the processing of loan applications, drove lower- and middle-income customers to the doors of black thrifts."

Other Survey Findings

• Since yearend 1983, when the *American Banker* first listed minority-owned thrifts, 10 have converted from savings and loan associations to stock savings banks. Thirty-two, or 54%, of the 59 thrifts listed in today's table are stock associations.

• According to the guidelines set up by the Treasury Department for an institution to be eligible for the Government Minority Bank Deposit Program, First Federal Savings Bank, Santurce, Puerto Rico, is the largest minority-owned financial institution, with $854.6 million in deposits and $1.2 billion in assets. First Federal ranked 236th among all thrifts at yearend 1985.

• Mutual Savings & Loan Association, Durham, N.C., had the highest ratio of net worth to assets among the thrifts that provided the data, with 11.61%; Dwelling House Savings & Loan Association, Pittsburgh, was second, with 11.53%, and Citizens Federal Savings Bank, Birmingham, Ala., was third, with 9.41%. Thirty-nine of the 59 institutions listed had ratios of net worth to assets above the 3.00% minimum.

• Seven thrifts turned net income losses in 1984 into gains in 1985. Twelve others at least doubled their net income from 1984.

• According to the Bank Board, the breakdown of minority thrifts as of Dec. 31, 1985 was:

Group	Number	Assets (Mil.$)
Black	34	$1,500
Hispanic	24	$2,900
Asian	17	$2,500
Women	1	$28

The Bank Board indicated that black-owned thrifts are mainly located in major cities along the East Coast; Hispanic-owned thrifts are scattered throughout the Southwest, and 11 of the Asian-owned thrifts are in California.

Firms Whose Data Was Unavailable

Minority-owned thrift institutions that would not participate in this year's survey and whose data was not available through other sources are: Enterprise Savings & Loan Association, Long Beach, Calif.; Montebello Federal Savings & Loan Association, Montebello, Calif.; Metropolitan Federal Savings & Loan Association, Hialeah, Fla.; Community Federal Savings & Loan Association, Tampa, Fla.; Illinois-Service Federal Savings & Loan Association, Chicago, and Craven County Federal Credit Union, New Bern, N.C. ■

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Bank to Pay $1 Million To End Dispute with City

BEAUMONT, Tex. (AP) — First City Bank will pay the city of Beaumont slightly more than $1 million to settle a dispute stemming from the city's loss of investments worth $20 million in March 1985.

The settlement, approved last week by the city council, will bring the city monthly production payments, over a six-year to eight-year period, of royalties the bank earns from oil, gas, and mineral leases in Texas and Louisiana.

The agreement guarantees the city will get at least $1 million, even if the wells do not produce.

The bank held a depository contract with the city at the time Beaumont lost the money in investments with the failed E.S.M. Government Securities Inc., Fort Lauderdale, Fla. The city has filed several lawsuits, but not against First City, to recover the money.

The bank contends it did not contribute to the city's loss, but First City chairman Wilton White said the bank agreed to the settlement to avoid continuing conflict.

The city claims the bank failed to secure the required two signatures of top city officials to authorize the release of city funds from the depository accounts.

The settlement agreement means Beaumont has recovered $15 million of its investment, most of that from a lawsuit against Alexander Grant & Co., now Grant Thornton, the auditor for E.S.M. Several other suits by the city are pending. ■

Comment . . .

Continued from Page 4

full range of capital markets services in their own country.

Is it this easy to reformulate the bank holding companies of 1986 into the debanked financial services holding companies of 1987 and beyond? Of course not — largely because of the cultural, legal, and public policy baggage attached to existing commercial banks.

Clearly, debanking is a radical step. As such, it makes bankers viscerally uncomfortable; bankers are constitutionally averse to dramatic action of this sort. Nevertheless, as the stalemate on the Hill continues, debanking will become an ever more real alternative, even for the most cautious bank executive.

From a legal standpoint, it is even more complicated for a banking company to debank than it was for the retailers and securities firms to enter the banking business. Many questions will be raised as bank holding companies begin to restructure themselves.

Litigation could be initiated based on the view that the new, debanked entity was created only to evade the Bank Holding Company Act. It is impossible to forecast the outcome of such litigation without knowing the facts of any particular case. It is worth noting, however, that the courts have lately construed the banking statutes rather narrowly. This has inhibited any move to apply current banking laws to new financial industry diversification.

Debanked entities would continue the re-creation of the U.S. financial services industry that was begun early in the 1980s by the innovative nonbank competitors. They would further the trend toward development of entities that take other people's money in a fiduciary capacity and — even if through other corporate arms — engage in a very broad range of financial and commercial services.

A trend of this sort may not be good public policy, since it would increase the opportunities for the conflicts of interest and tied-sales that are troublesome to financial industry regulators. Certainly, this trend will raise serious problems if the relationship between the banking subsidiaries and the other corporate activities is not governed in some fashion.

However, bank management does not have the luxury of giving these broad public policy issues too much consideration. Managers face substantial competition and a growing erosion of market share in retail and wholesale banking services. If Congress continues to be inactive, debanking may be the choice of managers concerned with their principal policy problem, protecting the interests of their shareholders. ■

This announcement appears as a matter of record only. It does not constitute an offer to sell nor a solicitation of an offer to buy these securities.

[redacted] City

U.S. $100,000,000

City Federal Savings Bank

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October, 1986

Minority-Owned Thrifts Switch to New Financial Fuel As Supercharged Asset and Deposit Growth Sputters

By KENNETH J. HICKS

NEW YORK — The explosive asset and deposit growth for minority-owned thrift institutions slowed considerably from the levels of the past two years, but net income improved in 1985.

Though percentage gains exceeded those of the entire thrift industry, the relatively small number of minority-owned thrifts still reflected industry-wide results for 1985. The thrift industry, as a whole, has been consolidating and concentrating on revenue production and shifting away from asset and deposit growth.

These are among the findings of an *American Banker* survey of minority-owned thrift institutions. According to the Department of the Treasury, a minority-owned institution is at least 51% owned or controlled by Asian-Americans, Black Americans, Hispanic-Americans, Native Americans, Eskimo/Aleutian, women, or a combination of these groups.

Included in the survey were all thrift institutions on the Treasury Department's roster of financial institutions that are participating in the Government Minority Bank Deposit Program. Many of these thrifts would not provide any data for the listing, and their yearend 1985 data were obtained from several other sources. The institutions that refused to participate and whose data were not available from the other sources are listed at the end of this article.

Among those minority thrifts for which two years of comparable data were available, deposits grew 15%, to $2.1 billion; assets were up 16.3%, to $2.5 billion; and net income showed a 30.8% surge, to $9.5 million. For all thrifts in the United States, deposits grew at a 3.4% rate in 1985.

California thrifts' performance dominated the minority-owned thrift picture. While these thrifts represented 37.4% of all 1985 deposits, they accounted for 82.2% of the dollar amount of net income. The 14 institutions accounted for approximately 23% of all minority thrifts.

California thrifts that ranked among the top 100 minority thrifts in the nation, while exhibiting only a 4.1% gain in deposits, more than doubled their net income in 1985.

The reduced cost of funds helped all thrift institutions in 1985. But many California institutions, buoyed by "a strong and continuing demand in the residential real estate market," were able to turn losses in 1984 into profits the following year, according to Curt Hallahan, senior vice president with the California League of Savings Institutions.

Net income in 1985 for all minority thrifts in today's listing showed a loss of $75.8 million, due entirely to the huge $85.5 million loss by Presidio Savings & Loan Association, Porterville, Calif. Presidio was declared insolvent and taken over by the Federal Home Loan Bank in August of this year. Its deposits were transferred to Gibralter Savings, Beverly Hills.

Presidio is one of several California thrifts that since the early '80s has experienced astounding deposit growth fueled by brokered deposits. Because the thrift had such a large amount of these deposits, it began making speculative investments in real estate joint ventures and futures and options contracts.

At yearend 1982, the thrift had $39 million in deposits. By yearend 1985, Presidio reported deposits of $198 million. According to the Bank Board, nearly 88% of those deposits were brokered deposits.

Analysts of the thrift industry view the minority-owned thrifts' plight as no worse than that of the mainstream industry. But because there are so few of these institutions, the problems seem more serious.

Largest Minority Thrifts

Ranked by Deposits in Thousands

	12/31/85
1st Federal Savings Bank, Santurce, P.R.	$854,635
Tesoro S&L Assn., Laredo, Tex.	258,684
East-West Federal Bank, San Marino, Calif.	236,974
Presidio S&LA, Porterville, Calif.	198,015
General Federal SA, Coral Gables, Fla.	194,405

Ranked by % of Net Worth-to-Assets

	NW/Assets 12/31/85
Mutual Savings & Loan, Durham, N.C.	11.61
Dwelling House S&LA, Pittsburgh	11.53
Citizens Federal SB, Birmingham	9.41
Advance Federal S&LA, Baltimore	9.40
Columbia S&LA, Milwaukee	8.14

The number of minority-owned or controlled thrifts has dwindled from 86 in 1980 to approximately 70 at yearend 1985, according to the Federal Home Loan Bank Board.

"There are so many that are basket cases. And many of those may be in receivership," an industry observer explained.

Despite the upbeat expectations of officers of minority-controlled thrifts, the pressures on the companies are intense. In late 1985, the largest minority-owned thrift, United Bank SSB, San Francisco, signed an agreement to be acquired by Great American First Savings Bank, San Diego, a mainstream thrift that is the 19th largest in the nation. United, with deposits of $489.2 million at yearend 1985, reported a net loss of $1.5 million in that year.

Other minority-owned thrifts that have been declared insolvent or merged with mainstream institutions include: Camino Real Savings Bank, San Fernando, Calif.; Coronado Federal Savings & Loan Association, Kansas City, Mo.; Major Federal Savings & Loan Association, Cincinnati; and California Women's Savings & Loan Association, Los Angeles.

Richard Tucker, director of the Bank Board's office of community investments, stresses that minority-owned thrifts are "pretty much like majority institutions," and that they're going through the same pains of the deregulated environment.

Table of Minority-Owned Thrifts
Page 6

Mr. Tucker said that these thrifts cannot hope to compete against the larger institutions in terms of offering all services. But the thrifts can hold their own by offering limited services important to their communities, he said.

"Some do very well with offering community services. There is a Philadelphia association that has a 7% net worth. They've been chugging along at a rate they feel comfortable with."

The association, Berean Savings Association, reported asset growth of slightly more than 12% for 1985.

But Betty Tom Chu, chief executive officer of Trust Savings Bank, Monterey Park, Calif., feels there may be

Minority: Page 15 ➤

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